ABSTRACT

A method and system for determining a useful life of financial instruments, such as financial assets and liabilities. A dynamic calculation of a first retention rate is performed for each of several financial assets; a steady-state calculation of a second retention rate is performed for the financial

5   assets; and the first and second retention rates are combined to determine a predicted useful life of the combined financial assets.

Optionally, one of several variables affecting at least one of the retention rates is selected. A sensitivity of financial asset variables to other financial asset variables is determined. Scenarios are forecast, extrapolated from the retention rate. The financial assets may include deposits and/or

10   financial instruments. Outliers in the financial assets may be checked, in one variation of the invention. Exogenous variables may be included in at least one of the calculations. The exogenous variables are selected from the set including seasonal variables, day-of-the-month variables, treasury interest rates, deposit rates, local unemployment rate, local personal income, and local retail sales, and the like. Interest rate spread may be included in at least one of the calculations. Forecast

15   scenarios may include future values for use in at least one of the calculations. The future values may be selected from the set including forecast treasure rates, forecast horizon, forecast deposits, forecast retention rates, and forecast interest rates, and the like.